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The Newspaper of the Non-Profit World

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USING ASSETS FOR SOCIAL GOOD

More and more foundations move to align their investments with their grant-making goals, but some funds remain skeptical

By STEPHEN G. GREENE

MORE AND MORE FOUNDATIONS are trying to align their investment policies with their grant-making goals.

The most common methods—which a few foundations have used for decades—include lending money to non-profit organizations at subsidized interest rates in the form of "program-related investments," and barring from their endowment portfolios companies whose conduct or commodities they condemn.

In addition, some foundations are now exploring whether they can grubstake small entrepreneurs working in areas that coincide with their own program activities—and still earn a market rate of return.

"Foundations seem to me to be looking more toward the question of how to deploy *all* the resources at their disposal in furtherance of their mission goals—whether grants, PRI's, or their asset base," says William F. McCalpin, a former program officer and treasurer of the Rockefeller Brothers Fund who works now at the John D. and Catherine T. MacArthur Foundation, studying how to link investments to programs. "Can we do things with our assets that are consistent with, and that don't fly in the face of, our program side?"

MARC PUSHPIN, FOR THE CHRONICLE

MacArthur Foundation's William F. McCalpin: Foundations are "looking more toward the question of how to deploy all the resources at their disposal in furtherance of their mission goals."

Indeed, foundations that adopt a policy of what is often called socially responsible, or ethical, investing tend to cite as a justification the potential contradictions arising from not having such a policy.

"As far as I'm concerned, any foundation that wants to take its program goals seriously has to consider its investment policy," says Charles R. Halpern, president of the Nathan Cummings Foundation in New York. Because it supports health programs, he notes, the $277-million foundation holds no stock in tobacco companies. "It seemed incongruous to us to be funding in the health area while also investing in an industry that sells proven carcinogens to people who lack the wisdom to resist," he says.

Coordinating Giving and Investing Policies

"If we are to be socially responsible people in our giving, we should be socially responsible in our investing as well," declares Cora Weiss, president of the Samuel Rubin Foundation in New York, which has about $11-million in assets. "You can't make money from warmaking and give money to peacemaking and call yourselves consistent."

The Rubin Foundation, which supports organizations working on issues of peace and justice, owns no shares of the 200 largest contractors for the Department of Defense, says Ms. Weiss. It also screens out companies that have business interests in South Africa.

Some foundations, like Rubin, established policies on ethical investing more than a dozen years ago. At others, such policies are only now being formed.

The Unity Avenue Foundation in St. Paul, Minn., which was established in 1986 and has about $1-million in assets, took its first step in 1987 by invest-

Continued on Page 36

Index	
Books	35
Coming Events	43-49
Computer Guide	27-30
Deadlines	46-49
Directory of Services	47-49
The Face of Philanthropy	4-5
Foundation Annual Reports	16
Fund Raising	20-31
Giving	6-19
Grants	13-19
Ideas	26
Letters & Opinion	40-42
Managing	32-39
News in Brief	8, 25
People	38-39
Professional Opportunities	50-56
Tax Watch	39

JIM HUBBARD

Controversy at United Way
William Aramony (*above*), president of United Way of America, is under attack, but he also received a strong vote of confidence. Story on Page 32.

Democrats Back Tax Break
Democratic members of the House Ways and Means Committee have endorsed a proposal that would make permanent a full tax deduction for gifts of appreciated property. The lawmakers also rejected a proposal to require more reporting of gifts by charities. Story on Page 21.

Boon for Community Funds?
The Internal Revenue Service may loosen rules that govern gifts to community foundations by people who want to control how their money is used. Some observers say that would increase giving, but others warn of abuses. Story on Page 6.

A Deluge of Grant Seekers
Business is booming at the Foundation Center, as more and more fund raisers look for private grants. Story on Page 20.

A complete guide to this issue appears on Page 2.

WHAT'S IN THIS ISSUE

A guide for the busy reader — Volume IV, Number 9

About Fund Raising

20 The number of fund raisers using the facilities of the Foundation Center rose 24 per cent last year as more non-profits looked for sources of grants to replace lost government funds and individual donations.

21 Key Democratic members of Congress have agreed to extend a full charitable deduction for all gifts of appreciated property and rejected expanded reporting requirements for charities.

25 Non-profits that have cut their budgets for research on potential donors could lose millions in gifts, researchers say.

26 In public television's December fund drives, the number of donors was down, but the average pledge was up.

26 In its recent $1.1-billion capital campaign, Stanford University got help from more than 1,200 alumni and donors to identify people who could make large contributions (Ideas).

26 Farm Aid will hold a concert next month to raise money to help the nation's farmers.

31 A donor's rejection of a request for a gift was a key to Wellesley College's successful capital campaign.

31 Minneapolis's Guthrie Theater has raised $26-million in a capital campaign, believed to be the most ever by a non-profit theater.

31 Update on campaigns for endowments and capital improvements.

8 Recent gifts to non-profit organizations and institutions.

About Managing Non-Profits

32 Facing criticism of salaries and management practices, United Way of America has ordered an investigation. The group's executive committee also gave a vote of confidence to its president, William Aramony.

35 The Boy Scouts of America is under increasing fire for its policy of excluding homosexuals.

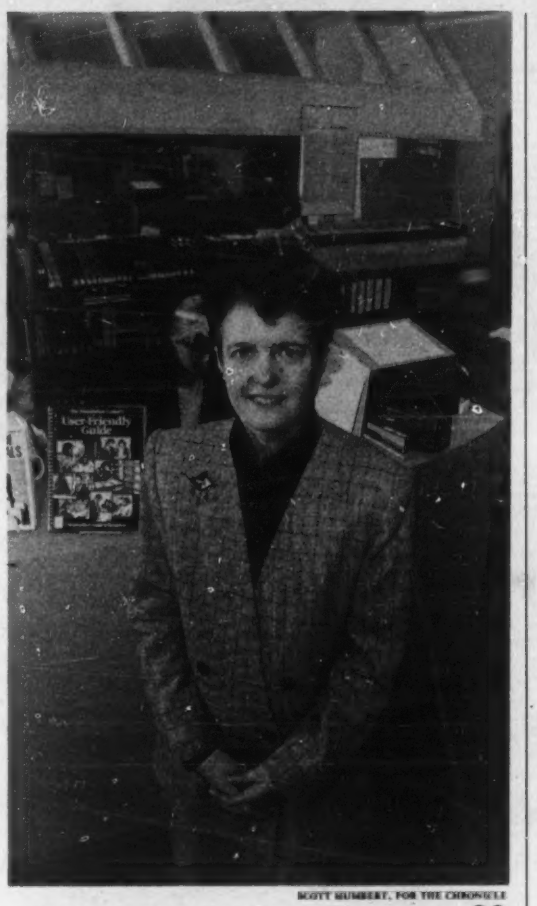
39 The IRS is asking non-profits for their reaction to proposed new guidelines on corporate sponsorships (Tax Watch).

35 A watchdog group may split with the National Religious Broadcasters organization.

35 The National Charities Information Bureau has issued a report on 33 environmental groups.

35 The head of the National Association for the Advancement of Colored People is stepping down.

26 An association of non-profits persuaded exhibitors at its annual convention to donate such services as free courses and free graphic-design services to be given away in a drawing (Ideas).



SCOTT SUMBERT, FOR THE CHRONICLE

Booming business at the Foundation Center. 20

About Volunteers

8 Points of Light 685 to 695 were named by the Bush Administration.

26 A volunteer cleanup effort that one of its organizers called "the fund-raising event for the 90's" raised $450,000 (Ideas).

About Corporations

11 The Council on Economic Priorities has released its annual ratings of charitable giving by U.S. businesses.

14 Johnson & Johnson has made a $1.2-million grant to aid Head Start.

8 The Philip Morris Companies have announced a new grant program to fight bigotry on college campuses.

Of Special Interest to Board Members

32 The United Way of America executive committee gave a resounding vote of confidence to the group's president, William Aramony, who is under fire because of his salary and perquisites.

35 After an acrimonious board meeting, the executive director of the NAACP announced plans to retire. But he says the board dispute was not connected to his retirement.

About Foundations

1 More and more foundations are trying to align their investment policies with their grant-making goals.

37 The sputtering U.S. economy has led some foundations to invest more of their assets overseas.

35 The idea of a common investment fund for foundations has lots of support, but it probably won't pass this year.

6 Possible changes in IRS rules may alter the way community foundations handle gifts from donors who want to control how their money is spent. Some foundations say looser rules could increase giving, but others worry about possible abuses.

8 The Public Welfare Foundation has added a grant program on nutrition and health care.

20 To improve their grant making, some foundations are checking the Foundation Center's information on what other philanthropies are doing.

12 Foundations now have more than $134-billion in assets and make more than $8-billion in grants per year, according to new data from the Foundation Center.

13 Recent grants by foundations, corporations, and other grant makers.

16 Summaries of annual reports from the Camille and Henry Dreyfus, Lloyd A. Fry, Sid W. Richardson, and Southwestern Bell Foundations.

Also in This Issue

35 **Books:** Summaries of recent books on philanthropy, fund raising, and non-profits.

40 **My View:** The executive director of Oxfam America on dangers in the rush to aid Eastern Europe.

41 **Opinion:** Leslie Lenkowsky on what philanthropy should do about the social-welfare system.

40 **Letters** on Japanese charitable giving, non-profit advocacy, and amateur fund raisers.

38 **People:** Appointments and promotions in the non-profit world.

43 **Datebook:** Forthcoming conferences, seminars, and workshops, and deadlines for grants and awards.

Corrections

▶ An article on giving to liberal-arts colleges (February 11) included an incorrect figure for total gifts to Hampshire College in Massachusetts. The institution received a total of $2.1-million in private support during fiscal year 1991.

▶ A table showing interest rates for computing charitable deductions for planned gifts (February 11) gave an incorrect figure for the month of February. The rate issued by the Internal Revenue Service was 7.6 per cent.

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Financial Data and Rankings of Foundations

The Foundation Center next month will publish the 14th edition of *The Foundation Directory*, which gives information on 8,700 foundations, a 15-per-cent increase over the number in the previous edition.

To be listed, a foundation must have assets of at least $1-million or make at least $100,000 in grants each year.

The center estimates that funds listed in the directory provide 93 per cent of all the grant dollars awarded by U.S. foundations. The foundations have $134-billion in assets and grant more than $8-billion per year.

Copies are available from the Foundation Center, 79 Fifth Avenue, Department ZQ, New York 10003; (212) 620-4230 or (800) 424-9836. The price is $150 in paperback and $175 in hardcover, plus $4.50 shipping and handling. Discounts for orders of multiple copies are available.

Financial Data by Type of Foundation

(Dollar figures in thousands)

	Number of Foundations		Assets		Gifts Received		Total Giving		
Foundation Type	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.	Loans
Independent	7,277	83.4%	$114,965,391	85.7%	$2,635,451	58.9%	$6,056,977	75.3%	$113,518
Company-sponsored	1,010	11.6%	5,739,647	4.3%	1,151,887	25.8%	1,416,832	17.6%	11,606
Community	233	2.7%	6,591,744	4.9%	605,940	13.6%	492,658	6.1%	1,347
Operating	209	2.4%	6,894,661	5.1%	77,970	1.7%	80,135	1.0%	4,949
Total	8,729	100.0%	$134,191,443	100.0%	$4,471,249	100.0%	$8,046,602	100.0%	$131,420

Financial Data by Region

(Dollar figures in thousands)

	Number of Foundations		Assets		Gifts Received		Total Giving	
Region	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Middle Atlantic	2,360	27.0%	$46,412,209	34.6%	$1,161,016	26.0%	$2,791,300	34.7%
East North Central	1,575	18.0%	26,803,646	20.0%	790,944	17.7%	1,545,586	19.2%
Pacific	1,046	12.0%	17,738,054	13.2%	790,741	17.7%	938,998	11.7%
West South Central	668	7.7%	10,608,066	7.9%	233,538	5.2%	601,482	7.5%
South Atlantic	1,271	14.6%	15,012,301	11.2%	592,430	13.2%	900,792	11.2%
West North Central	584	6.7%	6,765,506	5.0%	342,912	7.7%	528,163	6.6%
New England	712	8.2%	5,982,538	4.5%	356,292	8.0%	438,361	5.4%
Mountain	265	3.0%	3,056,473	2.3%	89,298	2.0%	172,029	2.1%
East South Central	246	2.8%	1,803,244	1.3%	111,716	2.5%	128,542	1.6%
Puerto Rico	2	0.0%	9,405	0.0%	2,362	0.1%	1,349	0.0%
Total	8,729	100.0%	$134,191,443	100.0%	$4,471,249	100.0%	$8,046,602	100.0%

100 Largest Foundations

Rank	Assets	Total giving	Fiscal date	Previous rank
1. Ford Foundation	$5,460,896,289	$227,828,194	9/30/90	1
2. J. Paul Getty Trust*	4,816,152,579	9,086,401	6/30/90	3
3. Lilly Endowment	3,543,648,222	107,930,515	12/31/90	4
4. W. K. Kellogg Foundation	3,509,461,224	121,974,324	8/31/90	2
5. John D. and Catherine T. MacArthur Foundation	3,077,581,000	115,675,981	12/31/90	6
6. Pew Charitable Trusts	3,076,891,792	155,113,636	12/31/90	5
7. Robert Wood Johnson Foundation	2,914,183,000	112,022,743	12/31/90	7
8. Rockefeller Foundation	1,971,970,559	84,723,570	12/31/90	8
9. Andrew W. Mellon Foundation	1,617,441,434	74,467,370	12/31/90	9
10. Kresge Foundation	1,214,208,974	48,792,000	12/31/90	10
11. Annenberg Foundation	1,196,093,214	59,559,779	6/30/90	—
12. Duke Endowment	1,054,676,939	44,719,934	12/31/90	11
13. Robert W. Woodruff Foundation	995,893,546	26,448,425	12/31/90	18
14. Charles Stewart Mott Foundation	929,505,650	33,565,932	12/31/90	12
15. McKnight Foundation	906,355,455	38,266,160	12/31/90	13
16. Carnegie Corporation of New York	845,268,801	46,804,378	9/30/90	14
17. New York Community Trust	842,116,981	56,514,099	12/31/90	16
18. Richard King Mellon Foundation	836,121,061	31,885,307	12/31/90	15
19. DeWitt Wallace–Reader's Digest Fund	761,826,102	42,757,609	12/31/90	19
20. W. M. Keck Foundation	725,013,250	45,110,500	12/31/90	17
21. Houston Endowment	690,962,560	28,958,427	12/31/90	23
22. Harry and Jeanette Weinberg Foundation	639,935,746	1,888,500	2/28/91	27
23. Howard Heinz Endowment	622,403,561	21,932,562	12/31/90	38
24. Starr Foundation	616,002,007	30,804,045	12/31/90	35
25. Alfred P. Sloan Foundation	612,221,359	21,199,731	12/31/90	22
26. Annie E. Casey Foundation	604,689,114	18,664,394	12/31/90	25
27. Freedom Forum	592,973,755	15,235,077	12/31/90	28
28. Lila Wallace–Reader's Digest Fund	577,279,421	32,232,027	12/31/90	30
29. Cleveland Foundation	573,012,252	30,487,607	12/31/90	26
30. William and Flora Hewlett Foundation	559,792,927	39,126,515	12/31/90	20
31. Knight Foundation	522,072,552	23,154,361	12/31/90	24
32. J. E. and L. E. Mabee Foundation	513,588,666	20,812,422	8/31/90	31
33. James Irvine Foundation	506,745,921	21,715,791	12/31/90	29
34. William Penn Foundation	492,467,945	30,012,828	12/31/90	34
35. Marin Community Foundation	482,431,000	21,545,000	6/30/90	36
36. Meadows Foundation	472,116,272	18,276,380	12/31/90	33
37. Robert R. McCormick Tribune Foundation	470,292,080	23,008,722	12/31/90	21
38. Brown Foundation	463,494,114	18,665,925	6/30/90	41
39. Weingart Foundation	458,342,864	22,893,357	6/30/91	43
40. Conrad N. Hilton Foundation	428,692,519	14,058,895	2/28/91	32
41. Hall Family Foundations	407,362,996	8,405,595	12/31/90	50
42. Moody Foundation	400,587,000	28,413,723	12/31/90	44
43. Samuel Roberts Noble Foundation	386,415,611	5,477,074	10/31/90	47
44. Edna McConnell Clark Foundation	384,881,000	19,872,230	9/30/90	45
45. Arthur S. DeMoss Foundation	384,297,398	17,660,892	12/31/89	51
46. Bush Foundation	374,239,000	18,934,471	11/30/90	40
47. Lynde and Harry Bradley Foundation	370,691,611	25,535,549	7/31/90	48
48. Henry J. Kaiser Family Foundation	366,704,733	17,374,376	12/31/90	42
49. Henry Luce Foundation	363,267,716	13,065,645	12/31/90	39
50. Joseph B. Whitehead Foundation	353,487,542	11,621,577	12/31/90	55
51. Ahmanson Foundation	$338,530,000	$20,505,071	10/31/90	37
52. Commonwealth Fund	324,561,685	11,405,028	6/30/90	53
53. Joyce Foundation	319,313,724	13,883,144	12/31/90	46
54. Surdna Foundation	318,279,856	16,884,753	6/30/90	54
55. George Gund Foundation	310,698,007	11,996,651	12/31/90	66
56. Horace W. Goldsmith Foundation	304,734,258	12,868,544	12/31/90	57
57. Vira I. Heinz Endowment	298,736,446	12,561,786	12/31/90	90
58. William Randolph Hearst Foundation	297,339,230	11,912,200	12/31/90	56
59. William K. Warren Foundation	297,295,926	18,359,249	12/31/90	61
60. Chicago Community Trust	295,928,031	31,383,963	9/30/90	52
61. Whitaker Foundation	293,966,324	15,213,819	12/31/90	58
62. Longwood Foundation	285,709,512	13,812,630	9/30/90	49
63. Skillman Foundation	282,546,508	12,621,740	12/31/90	73
64. Meyer Memorial Trust	278,572,830	14,975,432	3/31/91	59
65. Rockefeller Brothers Fund	275,262,103	11,140,601	12/31/90	76
66. Smith Richardson Foundation	265,650,040	7,861,150	12/31/90	71
67. Robert A. Welch Foundation	259,915,425	8,796,004	8/31/90	60
68. F. W. Olin Foundation	254,411,330	12,804,500	12/31/90	63
69. El Pomar Foundation	252,724,960	8,479,720	12/31/90	69
70. Lettie Pate Whitehead Foundation	250,359,516	9,000,000	12/31/90	85
71. Kate B. Reynolds Charitable Trust	249,973,101	7,444,220	8/31/90	64
72. John A. Hartford Foundation	247,916,866	9,597,944	12/31/90	65
73. Champlin Foundation	246,684,910	13,060,320	12/31/90	74
74. Boston Foundation	246,660,847	15,128,113	6/30/90	83
75. Public Welfare Foundation	244,146,780	15,387,432	10/31/90	77
76. Northwest Area Foundation	237,574,603	10,957,123	2/28/91	81
77. Alcoa Foundation	234,637,554	12,312,165	12/31/90	68
78. Clark Foundation	230,832,564	7,356,086	6/30/90	84
79. Sid W. Richardson Foundation	229,400,000	11,156,531	12/31/90	70
80. McCune Foundation	228,293,476	15,289,998	9/30/90	67
81. David and Lucile Packard Foundation	227,512,098	23,632,567	12/31/90	72
82. William R. Kenan, Jr. Charitable Trust	227,387,656	13,242,310	12/31/90	78
83. Colorado Trust	226,443,779	9,333,823	12/31/90	79
84. San Francisco Foundation	226,099,459	21,380,363	6/30/91	98
85. Herbert H. and Grace A. Dow Foundation	224,346,234	7,876,721	12/31/90	62
86. Peter Kiewit Foundation	219,831,687	9,581,796	6/30/90	95
87. Connelly Foundation	219,422,011	9,870,309	12/31/90	96
88. Spencer Foundation	217,547,574	8,580,767	3/31/91	82
89. Z. Smith Reynolds Foundation	213,501,354	12,862,905	12/31/90	88
90. M. J. Murdock Charitable Trust	213,451,475	8,664,842	12/31/90	87
91. T. L. L. Temple Foundation	212,143,677	9,558,675	11/30/90	75
92. Andersen Foundation	209,995,194	11,052,982	12/31/90	80
93. Sarah Scaife Foundation	205,517,340	9,091,500	12/31/90	92
94. Morris and Gwendolyn Cafritz Foundation	205,516,893	9,465,326	4/30/90	86
95. Communities Foundation of Texas	205,225,229	24,571,960	6/30/90	—
96. James Graham Brown Foundation	196,290,920	8,803,053	12/31/90	93
97. Sherman Fairchild Foundation	195,410,048	12,139,583	12/31/90	100
98. Nathan Cummings Foundation	188,833,527	7,843,863	12/31/90	—
99. Koret Foundation	188,154,054	11,664,736	12/31/90	—
100. Lucille P. Markey Charitable Trust	186,577,896	41,979,788	6/30/91	89

* J. Paul Getty Trust is an operating foundation that spent $227.38-million on its own programs. Total giving includes only grants and grant-related expenditures.

SOURCE: Foundation Center

Non-Profits Warned They Could Lose Gifts by Cutting Research on Donors

By HOLLY HALL

ORLANDO, FLA.

Non-profits that have slashed their budgets for research on potential donors could lose millions of dollars' worth of future gifts, said speakers at a meeting of the American Prospect Research Association here.

Noting that the recession had caused many non-profits to reduce their spending on such work, conference speakers urged researchers to work harder to persuade leaders at their institutions that it doesn't make sense to obtain less information on potential donors at a time when fund-raising competition has intensified.

Conference Notebook

"Our list of possible major donors is probably the same as every other non-profit in Indiana," said Kathy K. Wilson, director of prospect research at the Indiana University Foundation in Bloomington and president of the association. "It's good prospect research that's going to allow our institution to secure the major gift instead of a token gift or no gift. We're talking about the difference between a $1,000 annual gift and a gift of $100,000."

Researchers here said they were worried about how they could stretch their shrinking budgets to pay for searches on computer data bases and other costly information-gathering resources, as well as learning how to use those resources in cheaper ways.

Peter Buchanan, president of the Council for Advancement and Support of Education, said he believed many prospect researchers were also frustrated that they often did not get to make decisions about how their research would be used and were not always told how their efforts helped or hindered attempts to win big donations.

Prospect researchers "should be part of the advancement team," Mr. Buchanan said, but isolation from other development officials is common, and there is "all too much of it."

■

Many non-profit executives are simply chopping their prospect-research budgets instead of carefully deliberating over which expenses are essential to bringing in large gifts, said David M. Thompson, a partner at Thompson and Pendel Associates, a consulting firm in Arlington, Va.

Major donors "die and you have to replace them, and that takes time and talent," he said. "A lot of what is being learned about good prospect research could be lost" as non-profits slice their fund-raising budgets, Mr. Thompson warned.

To prove that they are essential players in fund-raising drives, prospect researchers "must work harder to deliver more prospects and leads," even though their budgets may be tighter than ever, said Stephen T. Ast, a partner at Ast/Bryant, an executive-search firm in New Canaan, Conn., and Santa Monica, Cal.

Researchers, he suggested, can protect their jobs and increase their influence with their bosses by taking the following steps:

► Volunteering to work on telephone or direct-mail fund-raising campaigns.

► Accompanying development officers on fund-raising calls.

► Determining which organizations compete with their own institutions for donations and volunteers.

► Getting involved in decision making about how prospects are to be monitored and how records about their backgrounds and giving histories are to be maintained.

► Speaking out about the ethical considerations involved in obtaining financial and other information on prospective donors.

► Demonstrating that they've "done their homework" by adding recommendations, such as the best way to approach prospective donors, to their research findings.

Mr. Thompson urged prospect researchers to keep detailed logs on how much time it takes them to prepare research profiles and to track the outcomes of their research, so that they can explain to top non-profit officials why prospect research is valuable.

Mr. Thompson said prospect researchers could accomplish the most when they:

► Report to the highest development official in the institution.

► Attend training sessions and professional meetings to sharpen their skills.

► Sit in on meetings of board fund-raising committees or other meetings where solicitation strategies are discussed.

► Take the initiative in identifying, conducting research on, and recommending the best solicitation strategies for donors.

► Have control over the content of and access to research files on prospective donors.

► Have authority to communicate directly with chief executive officers, who increasingly need ideas about who to approach for major gifts.

■

The vast majority of prospect researchers make less than $34,000 a year, according to a report released at the meeting. In a survey of 682 of the association's 1,400 members, 76 per cent said they made less than $35,000 a year, with 38.3 per cent of those making under $25,000. Nearly 14 per cent of the researchers said their salary was between $35,000 and $44,999, about 5 per cent earned between $45,000 and $54,999, and 4.2 per cent made $55,000 or more.

The survey was conducted by Dwight F. Burlingame, director of academic programs and research at the Indiana University Center on Philanthropy in Indianapolis, and Ms. Wilson of the Indiana University Foundation in Bloomington.

More than 80 per cent of the prospect researchers were female, but men made more on average than the women did. Most of the women held jobs that paid under $35,000, while most of the men held positions paying over $35,000.

About 97 per cent of the prospect researchers worked for non-profits, particularly colleges and universities (67.1 per cent). Only 2.9 per cent worked at for-profit companies—consulting firms and organizations that sell computer data bases, research directories, and other products.

Most respondents had duties other than research, with only about 17 per cent reporting that prospect research took up 100 per cent of their working hours. Thirty per cent of the researchers spent less than a quarter of their time finding out about prospects. Other duties cited frequently were: updating prospect records, helping fund raisers keep track of tasks involved in moving prospects through stages in the solicitation process, supervising staff members, and handling computer services for the development office.

For a copy of the survey findings, contact the prospect-research association, 1730 North Lynn Street, Suite 502, Arlington, Va. 22209; (703) 525-1191.

■

Prospect researchers and top development officials should prepare themselves for the day when donors will ask to see what information an institution has gathered on them for fund-raising purposes, said Susan Cronin Ruderman, associate director of development research at Harvard University.

A universal problem among prospect researchers, Ms. Ruderman noted, is the inclusion of too much personal information in the reports written by staff members and by volunteers who make fund-raising visits.

Prospect researchers should question the inclusion of certain types of information as they compile and maintain their research files. Medical records, rumors, personality problems, touchy relationships with certain staff members, sexual orientation, divorce or marital problems, and treatment for drug abuse or psychiatric disorders are usually inappropriate for files on donors, she said.

When such information is relevant to the solicitation of a donor, the facts can be conveyed orally, said Ms. Ruderman.

Some information on a potential donor, such as detailed analyses of financial assets, may be relevant information for a development officer, but that same information could upset a volunteer who may not understand why a non-profit collects such data, Ms. Ruderman said. One solution is to develop research files that have separate sections so that pages of sensitive information can easily be removed or added, depending on who uses the file, she said.

Noting that many institutions have had problems in keeping control of their records, she suggested placing the logo or seal of an institution on every page in a research file so that fund raisers would be less likely to take papers with them when they move on to jobs at other non-profit organizations, said Ms. Ruderman.

Several prospect researchers complained that many development officers kept research files out for indefinite periods and did not add information gathered in fund-raising calls. Some researchers said their organizations would not give expense checks for solicitation calls to development officers until they had updated and returned the donor files.

Prospect Researchers: a Statistical Profile

Salaries

	Men	Women	All
$24,999 and under	23.8%	41.8%	38.3%
$25,000-34,999	30.2	40.1	38.2
$35,000-44,999	18.3	12.6	13.8
$45,000-54,999	16.7	3.0	5.5
$55,000 and over	11.1	2.6	4.2

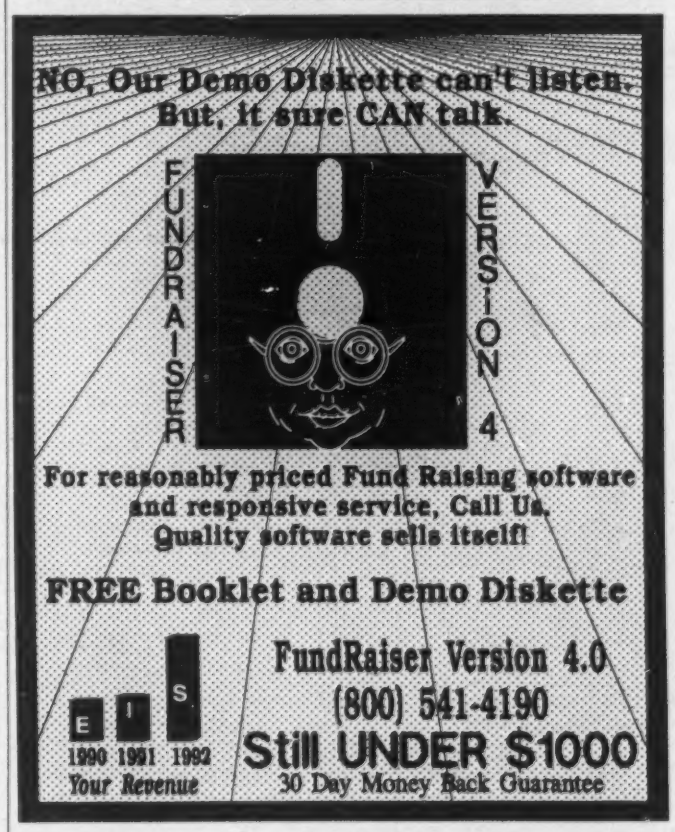
Where They Work

Education	67.1%
Private	41.4
Public	24.5
Hospital	7.8
Arts and culture	6.6
Service organization	3.4
For-profit	2.9
Religious organization	2.1
Other	10.0

Time Devoted to Research

100%	16.6%
75-99%	18.0
50-74%	17.4
25-49%	18.0
0-24%	30.1

SOURCE: American Prospect Research Association and Indiana University Center on Philanthropy



Save the Date

The AAFRC Trust for Philanthropy

presents

The Maurice G. Gurin Forum on Philanthropy and the Media

Moderator: PBS Anchor and Author Robert MacNeil

Date and Place: May 5, 1992, New York City
Time: 9:00 am - Noon

Call for Invitation: (212) 354-5799

December Donations to Public TV Rise 2.5%, but Donors Are Fewer

Contributions to public-television stations during the on-air pledge drives in December increased by 2.5 per cent over the previous year.

A Public Broadcasting Service report based on data from 87 stations says $20.5-million was pledged. The increase was not enough to keep pace with the rate of inflation, which was 3.1 per cent.

Although money totals rose, the number of donors dipped by 2,679. But the average pledge rose from $67 to $69.30.

Individual stations had very mixed results.

KQED in San Francisco saw pledges plunge 39.4 per cent, from $1.1-million to $687,786. Carol Porter, director of membership, said several factors contributed to the decline. She said a substantial percentage of the station's viewers were already members, so the pool of new donors was not as large as at other public-television stations. The weak economy played a role as well, she said, causing many people who make small donations—between $35 and $50—to postpone their gifts.

But a number of stations had increases of over 20 per cent. Pledges to KTEH in San Jose jumped 33 per cent, to $503,547; those to Chicago station WTTW rose almost 25 per cent, to $1.1-million; and pledges to KERA in Dallas rose 24 per cent, to $643,586.

In Detroit, WTVS set records for all three of its pledge drives last year. Donations rose by 17.8 per cent in December, to $1.1-million. Diane Bliss, vice-president for station development, said the station's success was due in part to its effort to make station breaks more interesting by holding drawings for prizes related to the shows that were playing—giving away opera tickets during a musical performance, for example.

Concerned that the recession might cause more people to renege on their pledges, the station also encouraged people to charge their donations on their credit cards, Ms. Bliss said. By offering donors who charged their contributions an extra gift of a sports watch, the station increased the proportion of charged pledges from 31 per cent to 45 per cent. —HOLLY HALL AND JENNIFER MOORE

Results of Public TV Fund Drives

	Amount	Percent change
Dollars pledged	$20,470,166	+2.49%
Number of pledges	295,405	−0.90
Average pledge	$69.30	+3.42
Break minutes	141,504	+8.62
Dollars-per-minute	$144.66	−5.64

Top 12 Stations

	1990 pledges	1991 pledges	Percent change
WNET (New York)	$1,537,569	$1,438,572	−7.09%
WTVS (Detroit)	971,266	1,144,576	+17.84
WTTW (Chicago)	882,292	1,101,789	+24.88
WNED (Buffalo)	1,067,797	1,047,219	+1.97
KCTS (Seattle)	1,151,785	1,020,078	−11.44
WHYY (Philadelphia)	1,002,524	926,414	−7.59
KCET (Los Angeles)	981,761	837,617	−14.68
KQED (San Francisco)	1,134,922	687,786	−39.40
KERA (Dallas)	519,108	643,586	+23.99
WETA (Washington)	598,015	608,065	+1.68
WGBH (Boston)	677,941	555,199	−18.11
KTEH (San Jose)	378,469	503,547	+33.05

SOURCE: Public Broadcasting System, Chronicle reporting

Farm Aid Plans Concert in Texas

The country singer Willie Nelson has announced that Farm Aid, the group he helped found in 1985, will hold its fifth concert to raise money for the nation's farmers on March 14.

Some of the costs for the event will be covered by the Dallas Cowboys football team, which is holding the concert at its Irving, Tex., stadium. Organizers of the concert expect 30 to 60 acts, according to a spokesman for the group, including such country and rock music stars as John Mellencamp and Neil Young, Farm Aid's other founders.

"These are tough economic times for Americans," said Mr. Nelson, who is president of the Cambridge, Mass., group and oversees its grant making. "It is time to get the economy back on track, and it starts in the heartland. Farmers and consumers need to work together to keep family farmers on the land."

Since it was founded, Farm Aid has donated more than $10-million to over 100 advocacy groups, hot lines, churches, service agencies, and other non-profits that serve farmers and their families.

—ELIZABETH GREENE

IDEAS

CITY YEAR

Volunteer Cleanup Project Raises $450,000 for Boston Group

LAST OCTOBER, 4,000 people in Boston spent a total of 25,000 hours cleaning up local parks, painting and renovating old buildings for non-profits, and generally lending a hand to do whatever was needed at 125 organizations in the city *(above)*.

The day was planned by City Year, a non-profit program based on the Peace Corps, which encourages young adults—ages 17 to 22—to spend nine months working in community-service jobs. Volunteers, who collected pledges to "pay" for the hours they worked, raised a total of $450,000.

The "Boston Serve-A-Thon" has grown rapidly since it began in 1989 with 507 participants and raised $38,000.

"I think it's really the fund-raising event for the 90's," says Eric Schwarz, a vice-president of City Year. "It engages people in the community, in addition to raising money for a worthwhile cause."

Mr. Schwarz says volunteers are recruited by "captains" who help publicize the event among their friends and co-workers. The group also runs public-service announcements in newspapers and on the radio. The total cost of the event, including staffing and printing expenses, was about $100,000 last year.

For more information, contact Pam Gerber, Associate Director of Development, City Year, 11 Stillings Street, Boston 02210; (617) 451-0699.

Soliciting Advice From Donors Helps Stanford Identify Prospects

ONE OF THE KEYS to Stanford University's success in completing a $1.1-billion capital campaign was its ability to accurately identify potential donors who were wealthy enough to make substantial contributions.

Stanford did this by asking for help from its alumni and current donors. The university spent a year and a half holding "screening sessions" across the country, at which volunteers met to review lists of names and estimate how much could be contributed by each person they recognized. Over 1,200 volunteers participated in the program, and all information was kept confidential. The effort produced a list of 30,000 prospects, who had not previously been identified, with the potential for giving $10,000 or more. Prior to the program, the university had out-of-date lists of about 5,000 people who presumably could give that much.

Several colleges have started similar programs, using Stanford's model. "It's a way of collecting accurate information about potential donors, while also making people aware of our needs in a way that's non-threatening for them," says Teri Giustina, assistant director of development at the University of Oregon Foundation, which started collecting information on potential donors late last year.

"We're involving alumni without actually asking them to go out and solicit gifts."

For more information, contact Linda J. Marks, Development Officer, Graduate School of Business, Stanford University, Stanford, Cal. 94305-5015.

Conference Exhibitors Donate Free Services to Non-Profits

THE Washington Council of Agencies, a non-profit group that provides services to charities in the metropolitan Washington area, recently took the topic of its conference, "The Dynamics of Collaboration," and applied it to the relationship between conference participants and the organizations that set up exhibits at the meeting.

Ann Mitchell, director of development and community relations for the council, decided to hold a drawing and asked exhibitors to donate items that would be useful to non-profit leaders.

Prizes included free tuition for continuing-education courses at Georgetown and George Washington Universities (valued between $350 and $600 each), free tuition for workshops held by the Support Center of Washington (valued at about $250), and graphic-design and production services from Wordscape (valued at $1,000).

"We tried to have a variety of things the non-profit community really needs but probably has the least amount of money to spend on them," says Ms. Mitchell.

For more information, contact Ann Mitchell, Director of Development and Community Relations, Washington Council of Agencies, 1001 Connecticut Avenue, N.W., Washington 20036; (202) 457-0540. —JENNIFER MOORE

Wellesley College Completes $167-Million Capital Drive

Few fund raisers would credit a donor's decision to turn down a request for a contribution as one of the factors that led to the successful completion of a large capital campaign.

But that's one of the reasons Peter R. Ramsey gives when describing Wellesley College's $167-million capital campaign—believed to be the largest ever conducted by a U.S. college without a graduate program. The amount collected reflects only cash contributions and pledges.

Sought $5-Million Gift

Mr. Ramsey, vice-president for resources at Wellesley, says the college contacted one of its former students, Elisabeth Kaiser Davis, and her husband, Stanton Davis, and asked them to give $5-million through their educational foundation to the campaign.

The college had already received one $5-million gift from trustee Kathryn Wasserman Davis and her husband, Shelby Cullom Davis, and was hoping to get a second of the same size to make up the two largest gifts with which to start the campaign. The Davis couples are not related to each other.

Elisabeth and Stanton Davis, who own a New England–based supermarket chain called Shaw's, responded to Wellesley's request by saying they liked the proposal, except for one thing—they preferred to give $10-million.

Other Large Campaigns

Those two gifts helped the college, located in Wellesley, Mass., complete what is thought to be the largest capital campaign by a liberal-arts college.

Although such statistics are not kept by educational organizations, other large capital campaigns by such colleges have included a $163.2-million campaign by Smith College in Northampton, Mass., a $157-million campaign by Pomona College in Claremont, Cal., and a $139.4-million campaign by Mount Holyoke College in South Hadley, Mass.

Davidson College in Davidson, N.C., and Williams College in Williamstown, Mass., each are in the process of conducting $150-million campaigns.

Wellesley's fund-raising success, as well as that of the two other all-women's colleges that top the list of capital-campaign results, Smith and Mount Holyoke, is being cited by some observers as proof that women now have the ability and desire to make substantial financial contributions to their alma maters.

"Our alumnae have challenged traditional assumptions about the relationship of women to fund raising and philanthropy," says Estelle Newman Tanner, a self-employed oral historian who is a Wellesley trustee and co-chairman of the campaign.

Mr. Ramsey notes that figures published by the Council for Aid to Education show that Wellesley's alumnae giving is the highest per capita of any college in the country.

81% of Alumnae Gave

Of the college's 22,500 living alumnae, 81 per cent contributed to the campaign. Mr. Ramsey says Wellesley is able to create "a sense of ownership" among its former students by involving almost one-fourth of them in over 8,500 volunteer jobs, from fund raising to career counseling to admissions work.

Volunteer leaders at 47 campaign sites in the United States, Asia, and England helped organize local efforts to contact potential donors. Mr. Ramsey says volunteers made suggestions in each location as to how the requests should be presented. For example, volunteers in Boston felt a three- to four-page letter that contained a lot of background information would be most effective, while volunteers in Ohio recommended a one-page letter that would get to the main points of the campaign quickly. In other locations, a two-page letter was used.

Wellesley was also successful in raising money from corporations and foundations. The former contributed $5-million directly and an additional $4-million through employee matching-gift programs, while foundations gave $11-million.

"Despite the move by most corporations to give more money to K-12 education, we did well because we were selective, going only to the 100 corporations we felt had the best understanding about the mission of single-sex education," says Mr. Ramsey. Corporations gave money for endowments for financial aid, technology, and a new arts-and-sciences building.

Another unusual aspect of the campaign is that most of the pledges have already been fulfilled, says Mr. Ramsey. "It's a real privilege in this economy to have $152-million already paid by donors."

—JENNIFER MOORE

Interest Rates for Planned Gifts

Following are the interest rates, provided by the Internal Revenue Service, for computing charitable deductions for charitable remainder trusts, gift annuities, charitable lead trusts, and some other deferred gifts.

March 1991	9.4%
April	9.6
May	9.6
June	9.6
July	9.6
August	9.8
September	9.6
October	9.0
November	8.6
December	8.6
January 1992	8.2
February	7.6

SOURCE: PG Calc Inc.

Campaign Update

Status and recent results of drives for endowments and capital improvements

	Started or announced	To conclude	Goal	Amount raised
Boys Town of Missouri	Nov. 1990	Jan. 1993	$3,500,000	$2,100,000
Boys & Girls Clubs of America (N.Y.)	Jan. 1992	Jan. 1995	37,350,000	0
Children's National Medical Center (D.C.)	Winter 1991	Winter 1998	40,000,000	7,000,000
Children's Specialized Hospital (N.J.)	Summer 1986	Dec. 1991	15,000,000	15,000,000
Clark U. (Mass.)	Dec. 1986	Dec. 1991	50,000,000	58,800,000
Dallas Baptist U.	Jan. 1990	Jan. 1992	4,200,000	4,200,000
Guthrie Theater (Minn.)	Oct. 1988	Dec. 1991	25,000,000	26,114,345
Hope College (Mich.)	Jan. 1992	June 1994	50,000,000	25,336,185
Kansas State U. Foundation	July 1988	June 1993	100,000,000	94,100,000
Scripps Clinic and Research Foundation (Cal.)	July 1989	June 1993	140,000,000	102,000,000
Soldiers & Sailors Memorial Hospital (N.Y.)	Dec. 1989	Dec. 1991	1,400,000	1,435,501
St. Bonaventure U. (N.Y.)	Nov. 1988	June 1992	25,000,000	24,500,000
U. of Akron (Ohio)	Sept. 1990	Jan. 1992	51,800,000	52,200,000
U. of Florida	Nov. 1986	Dec. 1991	250,000,000	392,600,000
U. of Kentucky, Commonwealth Library	Oct. 1991	May 1992	20,000,000	14,033,193
U. of Northern Colorado	June 1988	June 1992	10,000,000	12,094,081
Wellesley College (Mass.)	July 1986	Jan. 1992	150,000,000	167,200,000

After Slow Start, Guthrie Theater Drive Exceeds Goal

The Guthrie Theater in Minneapolis has completed what is believed to be the largest capital campaign ever by a non-profit theater.

The Guthrie received over $26-million in pledges, surpassing its goal of $25-million. That amount is more than double the size of what had been the largest campaigns by American non-profit theaters. The Old Globe Theatre in San Diego, for example, raised just over $10-million. A campaign for the Center Stage in Baltimore, which is still in progress, has raised $13.5-million so far.

The Guthrie drive, designed to insure the theater's quality and long-term financial stability, sought to increase the size of the acting company and its support staff, renovate the building, and beef up the Guthrie's endowment to help it weather changes in the economy.

If comparisons to other theater campaigns didn't drive home the idea that the Guthrie's goal was ambitious, the early stages of fund raising did. "We started the campaign with the traditional optimism that we would be able to do it like all of the other entities in town, by raising money from 300 to 400 individuals," says Henry A. Young, campaign director.

"We kept looking for a $5-million lead gift," he adds. "We never found it."

A Variety of Sources

The "Campaign for Artistic Excellence" faced other obstacles as well. A review of the theater's audience showed that 56 per cent were under the age of 35 and made less than $35,000 a year, says Mr. Young. With "such a big constituency that doesn't make any money," he says, campaign leaders worried that they would be unable to meet their goal unless they attracted large gifts from a very small group of people.

The Guthrie surpassed its goal by raising money from a variety of sources: Corporations contributed $8.7-million, foundations gave $6.5-million, and the National Endowment for the Arts, $900,000.

The largest share—$10-million—came from individuals, much of it in response to direct-mail pieces sent across the country. Two $2-million donations were the campaign's largest gifts. In all, over

"Our effort represents the first time a theater can say that it can withstand significant short-term challenges."

4,500 people contributed to the campaign.

"Essentially, we went back to our annual-fund strategies," says Mr. Young. The theater sent out elaborate campaign packets explaining the needs and goals of the theater, then followed up those mailings with phone calls from volunteers. As the campaign neared its close, a second mailing was sent to the people who had not responded to the first mail and phone solicitation, a technique that proved effective.

But it was also more expensive than anticipated, raising total costs for the campaign by about $800,000 over original estimates, to $1.8-million.

One of the most important accomplishments, says Mr. Young, was raising $18-million for the endowment. Such cash reserves are critical to a non-profit theater's ability to maintain a high level of quality, he says.

"This is a big shift for the regional theater movement," says Mr. Young. "Our effort represents the first time a theater can say it can withstand significant short-term challenges and still be in existence.

"Theater has been dominated in America by the perception of a Broadway show, symbolized by the fact that with two bad reviews it could be closed next Friday. It wasn't an art form perceived to be permanent. We set out to change that perception."

—JENNIFER MOORE

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MANAGING

Governance and Regulation

United Way Under Fire

Questions about management practices and executive perquisites prompt internal probe, concern from local chapters

By ANNE LOWREY BAILEY
and BRUCE MILLAR

ALEXANDRIA, VA.

UNDER FIRE FOR THE SALARY and perquisites of its chief executive and for some of its financial and management practices, United Way of America has begun an internal investigation and placed its top financial officer on administrative leave.

Some charity and local United Way leaders expressed concern that the controversy might damage contributions to the United Way system, which raised $3.1-billion through 2,100 locally-controlled United Ways for more than 40,000 charities nationwide in 1990.

Much of the criticism has centered on the compensation and privileges enjoyed by William Aramony, president of the federated charity, and some of his long-time associates. Mr. Aramony receives $463,455 in salary and benefits. He has flown first class on many of his trips and traveled to Europe on the Concorde when his schedule demanded it, United Way officials said. He started flying coach last year, they added.

Mr. Aramony declined to be interviewed by *The Chronicle of Philanthropy*, but United Way of America board members and top officials said they believed his compensation and travel expenses were fair and appropriate for the leader of an organization that has a 1992 unrestricted budget of $28.4-million.

This month the executive committee of the United Way of America board gave Mr. Aramony a "resounding vote of confidence."

JIM HUBBARD

William Aramony, president of United Way of America, was given a vote of confidence by the organization's board in the wake of criticism of his $463,000 compensation package and his management and financial practices.

United Way said the chief financial officer, Thomas J. Merlo, had been suspended by Mr. Aramony for "past activities" unconnected with his work at United Way. Mr. Aramony took the action after a reporter asked him about Mr. Merlo, who had been investigated for alleged financial misdealings in Miami but was never charged. Mr. Aramony said he had been unaware of the charges until the reporter asked about it, although he had known Mr. Merlo since the 1960's.

Questions About Accountability

Legal experts and some United Way workers have asked whether five organizations spun off by United Way are sufficiently accountable to it. The spinoffs, two of which were set up as for-profit companies, provide a variety of services, such as selling products with the United Way logo and offering office supplies and telephone services to non-profit organizations at bulk rates. United Way of America officials refused to release records on the for-profit companies because, they said, that would cause the organizations to lose their competitive edge.

"What Partnership Umbrella [one of the for-profit spinoffs] has told us is that it wouldn't make good business sense to do that," says Tony De Cristofaro, a United Way of America spokesman. "Also, we don't have the papers. They are an independent organization."

Robert Aramony, son of William Aramony, and president of Sales Service/America, the other for-profit spinoff, said the company had 1991 sales of $6.3-million and profits of $55,000, of which about $15,000 was donated to United Way of America. The balance has been put back into the business.

Details about the salaries and management practices of United Way officials were printed in a nationally syndicated column by Jack Anderson and in an article in *The Washington Post*. The published accounts caused many local United Way officials and leaders of major national charities to worry that donors might be turned off by the amount spent on salaries and perquisites, while others said it was unethical for charity workers to receive such high compensation.

Inquiries from journalists prompted the executive committee of United Way of America to conduct a preliminary investigation of Mr. Aramony's leadership that resulted in the vote of confidence. The committee also hired a Washington law firm, Verner, Liipfert, Bernhard, McPherson, and Hand, to conduct a full-scale review of the five spinoff organizations and United Way of America's governance and personnel systems. The investigators are to report to the executive committee on April 2.

Several local United Way officials and other experts on non-profits contended that the United Way of America board had taken too little action and had failed to carry out its duty to monitor the organization, but board members and United Way of America leaders denied those charges.

The chairman of United Way's Board of Governors, John F. Akers, chairman of International Business Machines, last week declined repeated requests for an interview. He said through a spokesman that he supported Mr. Aramony and believed United Way's finances were being handled properly.

'No Blatant Impropriety'

"He concurred with the rest of the board that no blatant impropriety was uncovered" during the initial investigation, said his spokesman, Brian Doyle. "I don't think this board has seen anything to show that the United Way of America has not been managed prudently."

Leaders of four of the largest United Ways—in Portland, Ore., San Francisco, Seattle, and Tampa—said they were considering the possibility of withholding their annual dues because of their concern. About 1,400 United Ways pay annual dues of 1 per cent of their total contributions to United Way of America.

"We view these issues very seriously and are looking at all the issues as they relate to United Way of America," said Thomas A. Ruppanner, president of the United Way of the Bay Area in San Francisco. He said he would seek "additional information in detail on points that our board has great concern about." He declined to elaborate.

In Chicago last week, three local United Way board chairmen were preparing to send a letter to Mr. Akers, requesting open communications and accountability between United Way of America and local United Ways.

"As many United Ways around the country are currently doing, the three board chairs of our organization have drafted a joint communication to John Akers, essentially saying we're taking the charges seriously and requesting they [the Board of Governors] do a complete investigation," said Mark J. Knickelbine, director of public affairs and marketing for the United Way/Crusade of Mercy.

Some of Mr. Aramony's supporters acknowledged that the United Way of America president would do some things differently in his United Way career if he had the opportunity, but they said they believed his overall impact on the organization had been positive.

Said Mark O'Connell, president of the United Way of Metropolitan Atlanta: "When I began in 1970 it was just a job for me, but Bill Aramony's leadership and vision put the ideas and words together for me so that it be-

came a career. He made it so that thousands across the country became more effective and fulfilled because of his leadership."

Although most of the attention has focused on salaries and the spinoffs, several other issues have been raised, including hiring practices and the maintenance of a New York apartment used mainly by Mr. Aramony.

His son, Robert, has served as vice-president of two of the spinoffs, Partnership Umbrella and Charities Fund Transfer, and now is president of a third, Sales Service/America. Both Robert Aramony and William Aramony say the elder Aramony was not involved in any decisions about hiring his son.

O. Stanley Smith, chairman of the board of Sales Service/America and the man who hired the elder Aramony in 1958 to head the United Way in Columbia, S.C., concedes that the job at Sales Service/America, which sells products with United Way's logo, had not been advertised in newspapers or within the United Way system.

Partnership Umbrella, which was given $900,000 in seed money by United Way of America in December 1986, used $430,000 of that to buy and decorate a condominium apartment in New York City, according to Mr. De Cristofaro. He said that the apartment was a solid investment and that Partnership Umbrella staff members also stay there on trips to New York, thus saving on lodging costs.

Salary Exceeds Most Non-Profit Officials

Mr. Aramony, who has headed United Way of America for 22 years, has one of the most generous salary and benefits packages of any charity official in the country.

United Way officials said Mr. Aramony's $390,000 salary had been set using comparative data gathered by TPF&C, a management-consulting company. As comparable compensation, United Way cited the top executives of the Ford Foundation and the Heritage Foundation, who make $420,000 and $319,367, respectively, according to documents obtained separately by *The Chronicle*. The report also said the average salary of top executive officers of health and welfare organizations was $114,500 last year.

A survey by the Technical Assistance Center in Denver found that the average salary for executive directors of non-profits with budgets of over $5-million was $81,737.

Although United Way officials released information about Mr. Aramony's salary and benefits, as required by federal law, the full cost of his expenses could not be determined because United Way officials refused to release any expense-account records. The organization's informational tax return did not list any expense account for Mr. Aramony, although it did list such expenditures for other top officials.

John Glaser, a long-time colleague of Mr. Aramony and chief operating officer of United Way International, defends Mr. Aramony's spending as appropriate for attracting support from corporate leaders.

"He has built an environment that corporate executives are comfortable in," Mr. Glaser said. "They're more at home in plush offices, rather than in some settlement house where there are kids crying and running around with runny noses."

'Managing a $3-Billion Corporation'

Brian Doyle, Mr. Akers's spokesman, said it was appropriate that the United Way paid its leaders as much as many major corporations pay their top executives. "He is managing a $3-billion corporation, and the

Continued on Page 34

Top Salaries at United Way and Other Non-Profits

Organization	Top executive	Compensation	Contributions to employee benefit plans
United Way of America			
	William Aramony, president	$390,000	$73,455
	Frederick Cerny, regional director[1]	204,308	12,778
	Richard O'Brien, executive vice-president[2]	195,500	27,928
	Thomas Nunan, senior vice-president	178,268	16,313
	Robert Beggan, senior vice-president	143,000	19,955
Local United Way Chief Executives			
Birmingham, Ala.	Daniel J. Dunne, executive director	$111,743	$19,372
Indianapolis	Dan MacDonald, president	134,308	12,477
Miami	Tanya Glazebrook, president[2]	145,665	0
Newark	Richard A. Lewin, president	102,518	18,009
Providence, R.I.	Doug Ashby, president	127,496	12,699
San Diego	Dawson Dowty, president	145,100	20,400
San Francisco	Thomas Ruppanner, president	161,785	n/a
Tampa, Fla.	Wayne R. Davis, president	95,400	n/a
Tri State[3]	Betty Beene, president	228,000	32,067
Chief Executives of Other Non-Profits			
American Association of Museums	Edward H. Able Jr., executive director	$126,886	$13,639
American Cancer Society	William M. Tipping, executive vice-president[2]	188,000	2,348
American Council on Education	Robert H. Atwell, president	137,500	39,531
American Red Cross	Elizabeth H. Dole, president	200,000[4]	n/a
Catholic Charities USA	The Rev. Thomas J. Harvey, executive director	42,000	8,000
Epilepsy Foundation of America	William M. McLin, executive vice-president	163,760	19,612
Ford Foundation	Franklin A. Thomas, president	420,000	36,000
Girls Incorporated	Margaret Gates, national executive director	92,619	0
Heritage Foundation	Edwin J. Feulner Jr., president	319,367	23,277
Independent Sector	Brian O'Connell, president	145,000	25,000
International Service Agencies	Richard J. Leary, executive director	68,900	10,355
National Black United Fund	William T. Merritt, president	60,500	5,000[5]
National Society of Fund Raising Executives	Raymond Crabbs, president[6]	115,039	0
National Society to Prevent Blindness	Robert Bolan, executive director	76,214	1,999
National Trust for Historic Preservation	J. Jackson Walter, president	172,516	34,503
Wilderness Society	George T. Frampton Jr., president	120,000	25,200
World Concern	Frederick Gregory, executive director	64,379	4,221
World Vision	Robert Seiple, president	102,000	1,275

[1] No longer in office; compensation figure includes severance pay.
[2] No longer in office.
[3] A federation of 35 United Ways in New York, Connecticut, and New Jersey.
[4] Effective in February; served first year in office without pay.
[5] Estimated.
[6] No longer in office; compensation figure is for eight months, plus severance pay. Information for new president, Patricia Lewis, is not available.
n/a Not available.

United Way Faces Questions About Its Spinoff Groups; Issues Include Hiring and Financial Disclosure

Many of the questions raised about the management of United Way of America have to do with organizations that the charity has spun off.

United Way's board has hired an outside law firm to investigate some of the issues.

The spinoff groups include:

► Partnership Umbrella, a for-profit corporation that allows charities to buy goods such as office supplies and telephone services, in bulk and at discount prices.

► Sales Service/America, a for-profit telephone and catalogue sales operation that markets products with the United Way logo.

► Gifts In Kind America, a non-profit clearinghouse for large donations of products to charities.

► Charities Funds Transfer, a non-profit designed to speed the transfer of corporate donations to local United Way charities.

► United Way International, a trade association that coordinates efforts of United Ways in other countries.

The issues raised about the spinoff groups focus on financial disclosure and hiring practices.

United Way provided $900,000 in seed money to establish Partnership Umbrella and a $1.5-million loan to establish Sales Service/America. But although the two corporations are designed to benefit public charities, and their marketing ability depends on their connections to United Way, the charity federation has refused to disclose their finances.

Proprietary Information

Tony De Cristofaro, a United Way spokesman, said such information was proprietary and could harm the businesses' ability to compete in the marketplace. He added that the corporations don't need to make disclosures about their finances, because they are not charities and are not officially connected to United Way of America.

Some experts disagree. "The damage that can be done by non-disclosure by a charity or a related entity is far more serious than any actual money that could be involved," says William J. Lehrfeld, a lawyer with 30 years of experience in non-profit law, including six years in the exempt-organizations division of the Inter-

Continued on Page 34

Questions About United Way of America Trouble Chapters

Continued from Page 33

board has deemed his salary and benefits appropriate," Mr. Doyle said.

However, Pamela Y. Paul, chairman of the United Way of Northeast Florida in Jacksonville, said the disclosure of Mr. Aramony's compensation and spending habits made her "uncomfortable," since her United Way works hard to run a frugal operation.

Donors Expect Frugality

"We live in a very conservative community, and our donors wouldn't like it a bit if we had compensation or expense accounts like Aramony," Ms. Paul said.

She said United Way of America could learn from some of its members. The Jacksonville United Way spends less than 13 per cent of all contributions on operating costs and has 39 full-time employees, the smallest staff of any United Way raising more than $9-million.

"I feel like, in some ways, the national office ought to reflect the traditional values of United Way," she said.

Robert M. Kardon, president of the California Association of Nonprofits, said he worried that the public would be upset by reports about Mr. Aramony's salary and benefits.

"If this becomes the perception of charity in the country, it could seriously damage our credibility as a sector," said Mr. Kardon, whose organization represents over 2,000 non-profits. "I can certainly understand that he's traveling in corporate America, but that seems outrageous. I don't see how that fits with our ethos."

"That is a very high salary," concurred Rear Adm. David M. Cooney, retired, who is president and chief executive officer of Goodwill Industries of America, which is among the leading recipients of United Way support.

He said senior corporate executives had called Goodwill last week and said the news reports would have a detrimental effect on their giving programs.

"I have communicated to Bill Aramony that the United Way needs to change," said Mr. Cooney. "We feel that the United Way should be more open to comment from service-delivery agencies."

Robert O. Bothwell, executive director of the National Committee for Responsive Philanthropy and a persistent critic of United Way, agreed that the disclosures might hurt giving in the short term, but said he doubted they would harm next fall's United Way campaigns.

"I think it is bound to have a detrimental effect, as any scandal story connected with a public charity will," Mr. Bothwell said. "What is amazing is how ephemeral the effect is. Unless something blooms and blossoms on this, it will be really dead news by next fall."

Spinoffs Not Well Known

Many local United Way officials and at least one board member were unfamiliar with the spinoff organizations.

Morton Bahr, president of the Communication Workers of America, and a six-year member of United Way of America's board, said he had not been "too familiar with the spinoff companies" until questions were raised. He said he was confident that the board would thoroughly investigate the matter.

"We have too much at stake to let something happen that doesn't smell right," said Mr. Bahr, who is also a member of the executive committee.

Other observers said they were concerned that the spinoff units, especially the for-profit companies, which are not required by law to provide information to the public, were not sufficiently accountable.

"I was quite appalled," said Mr. Kardon. "The story of the establishment of the for-profit subsidiaries that his son was involved in, and the money to buy and decorate a condominium in New York, all seemed so out of keeping with the non-profit spirit."

Said Daniel L. Kurtz, who regulated charities while serving as Assistant Attorney General of New York: "Entities created by United Way to serve charities are not mom-and-pop privately held companies. Their finances should be publicly accountable in the same way that United Way's are.

"Otherwise, people are not going to be able to judge how prudently their boards have acted in embarking on these potentially risky ventures. The real problem is, Who has jurisdiction to look into these things?"

"The integrity of the movement and any of us in our jobs is somewhat questioned. There's nobody who feels good about it."

United Way of America officials said those questions would be evaluated in the law firm's inquiry.

Mr. De Cristofaro said the spinoffs were accountable to their customers. "These are private companies whose finances are proprietary information," he said. "They are not subsidiaries of United Way of America and are in no way accountable to it."

For several weeks after reporters began their inquiries, United Way of America officials fielded questions about Mr. Aramony's finances and the spinoff units.

Many local United Way executives took pains to distance themselves from the investigation by emphasizing that all United Ways are independent and locally controlled. The United Way of Santa Clara County, Cal., released a statement noting that it pays annual dues to the United Way of America "in the amount of less than 1 per cent of the total campaign dollars raised." The statement added that United Way of America did not, in any way, control the policies or procedures of the United Way of Santa Clara County.

In anticipation of the Jack Anderson column and the *Washington Post* article, the United Way of America public-relations office was sending daily advisories to local United Ways, anticipating the content of the articles and suggesting responses to questions by local reporters. One note to the United Way of Americas staff, signed by Mr. Aramony, ended, "Your personal support and messages mean a great deal to me. Thank you and we will overcome!"

After the articles by *The Washington Post* and Mr. Anderson were published, several United Way of America board members and local United United Way leaders declined comment and referred questions to Alexandria spokesmen.

While most United Way drives have ended, some of the nation's largest United Ways are still running theirs. Leaders of campaigns that are still in progress said they were uncertain what impact the publicity would have.

"I don't know how it will affect it, and the truth is I hope not at all," said Betty Beene, president of the United Ways of Tri State, a federation of 35 United Ways in New York, Connecticut, and New Jersey.

She said she was confident that Mr. Aramony would respond to the issues with the "same kind of candor and conviction that has made him such a strong leader of the movement."

'It's All Very Sad'

"No one read *The Washington Post* article without a sense of sadness that the charges were even made," she said. "With those charges, the integrity of the movement and any of us in our jobs is somewhat questioned. There's nobody who feels good about it. It's all very sad."

Added Mr. Knickelbine of United Way/Crusade of Mercy in Chicago: "I'm not certain that we've seen the end of allegations that have been coming out in the press on this."

Elizabeth Greene, Stephen G. Greene, Holly Hall, Jennifer Moore, Vince Stehle, and Grant Williams contributed to this article.

United Way Faces Questions About Spinoff Groups

Continued from Page 33

nal Revenue Service. "Lack of disclosure brings distaste, and distaste brings lack of trust, and that could hurt donations to the main charity."

Mr. Lehrfeld adds: "You can't ask for donations and say, 'Trust me,' when you refuse to live up to the burden of proving that you and your related entities are managed in a financially responsible manner."

The United Way said those questions would be evaluated in the course of the outside law firm's investigation.

Kenneth L. Albrecht, president of the National Charities Information Bureau, a private watchdog organization, said that management standards set by his agency called for charities to disclose on request financial information for all substantial income and for all revenue-generating activities conducted by the organization. That standard would also apply to charities' "related and unrelated business ventures and for-profit subsidiaries." The bureau is in the midst of a routine update of its report on United Way.

Returns Called Incomplete

The Charities Funds Transfer organization provided *The Chronicle of Philanthropy* with its 1989 and 1990 informational tax forms, but those forms were accompanied by notes from accountants that said the returns were incomplete. The forms were incomplete, Mr. De Cristofaro said, because the charity's finances had never been audited. An audit is now under way, he said.

The 1990 return lists $127,207 in salaries and benefits, $54,733 for consultants, $14,227 for professional fees, $130,000 for management fees, $19,143 in accounting and legal fees, and $36,920 for travel expenses. It does not say who received that money. The IRS requires charities to disclose payments to their top five employees and their top five consultants, but only for those that receive more than $30,000. No one received more than $30,000 from Charities Funds Transfer, according to Mr. de Cristofaro

All told, administrative expenses came to $542,139; income was $506,124. Mr. De Cristofaro said that Charities Funds Transfer had not lost money for the year, but that the tax forms showed a loss due to its accounting methods.

Progress of Aramony's Son

William Aramony's son, Robert, who is president of Sales Service/America, said he had begun his United Way career in 1986, at the United Way of Martin County in Stuart, Fla.. At about the same time, he was hired to do $3,000 in consulting work for the Professional Travel Services, a spinoff organization that has since failed. That contract was arranged by Steven J. Paulachak, who was then a top executive of the United Way of America.

In 1989, Mr. Paulachak hired Robert Aramony to be vice-president of two of the other spinoffs, Partnership Umbrella and Charities Funds Transfer. Although William Aramony served on the boards of both spin-offs, a United Way spokesman said that the elder Mr. Aramony had done nothing to help his son get the job.

"We always had an unwritten understanding that I don't want him in my work life," said Robert Aramony. When asked, then, why he works for United Way of America, he replied: "Because the work fits what I want to do. The job is right."

While he was at the two spinoffs, Robert Aramony laid the groundwork for creating a new company out of United Way of America's existing Sales Service/America division. The new company began with a $1.5-million loan from United Way of America. According to Mr. De Cristofaro, William Aramony recruited the board of directors, a group of old friends whom he could trust to do a good job, and they hired Robert Aramony without advertising the position.

That procedure raises questions in the minds of legal experts. "The board has a responsibility to recruit the best possible chief executive, and that almost always includes a search," says Mr. Lehrfeld, the non-profits lawyer. "Otherwise the board might be remiss in exercising its fiduciary responsibilities." —ANNE LOWREY BAILEY AND BRUCE MILLAR

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How the 10 Largest Foundations Invest Their Assets

	Ford Foundation	W. K. Kellogg Foundation	J. Paul Getty Trust	Robert Wood Johnson Foundation	Lilly Endowment	Pew Charitable Trusts	John D. and Catherine T. MacArthur Foundation	Rockefeller Foundation	Andrew W. Mellon Foundation	Robert W. Woodruff Foundation
Total assets in billions[1] (12/31/91)	$6.481	$6.339	$5.0	$4.081	$3.99	$3.388	$3.278	$2.2	n/a	$1.495
Total assets in billions (12/31/90)	$5.514	$4.028	$4.3	$2.914	$3.54	$3.077	$3.085	$1.9	$1.617	$.995
How assets are allocated										
Domestic equities	43%	92%	44%	68%	99%	55%	20%	48%	n/a	78%
Foreign equities	9%	—	8%	—	—	5%	12%	14%	n/a	—
Domestic bonds	32%	6%	40%	30%	1%	35%	27%	16%	n/a	18%
Foreign bonds	7%	—	—	1%	—	—	—	—	n/a	—
Cash	5%	2%	8%	—	—	5%	1%	11%	n/a	2%
Real estate	3%	—	—	1%	—	—	37%	6%	n/a	2%
Private equity/venture capital	1%	—	—	—	—	—	3%	5%	n/a	—
Program-related investments outstanding, in millions (12/31/91)	$110.9	none	none	$13.9	$4.0	$20.0	$45.7	$8.4	n/a	none
1991 giving, in millions[1]	$258.8	$155.5[2]	$8.13[3]	$164.6	$131.3	$111.6	$129.9	$88.1	n/a	$33.4
Portion of assets managed in house	80%	3%	none	99%	100%	see notes	5%	none	n/a	100%

Ford Foundation: Foundation refuses to invest in companies doing business in South Africa that have not signed the Sullivan Principles.

W. K. Kellogg Foundation: Virtually all equity assets are in W. K. Kellogg Company stock. Foundation uses no written social criteria for investing; among the assets it manages directly, it avoids investing in companies selling tobacco or alcoholic beverages.

J. Paul Getty Trust: Assets include museum and scholarly collections in addition to its $3.9-billion endowment. An operating foundation, Getty spent $87-million on its program in the fiscal year ending June 30, 1991. The foundation uses no social criteria for investing.

Robert Wood Johnson Foundation: Virtually all equity assets are in Johnson & Johnson Company stock. Foundation refuses to invest in companies with significant participation in the tobacco industry.

Lilly Endowment: Virtually all equity assets are in Eli Lilly & Company stock. Foundation uses no social criteria for investing.

Pew Charitable Trusts: Entire portfolio is managed by the Glenmede Trust Company. Asset allocation figures exclude $955,908,720 in stock of the Sun Oil Company and Oryx Company. Foundation uses no social criteria for investing.

John D. and Catherine T. MacArthur Foundation: Portfolio includes undeveloped Florida land valued at $730-million and improved real estate valued at $372-million. Foundation uses no social criteria for investing.

Rockefeller Foundation: Foundation uses no social criteria for investing.

Andrew W. Mellon Foundation: A Mellon spokesman refused to provide 1991 figures, saying the foundation's policy is not to release investment data that have not been reviewed by its board.

Robert W. Woodruff Foundation: Virtually all stock is in the Coca-Cola Company. Foundation uses no social criteria for investing.

[1] Some figures are unaudited. [2] For fiscal year ending 8/31/91. [3] For fiscal year ending 6/30/91. n/a Not available.

More Foundations Using Their Assets to Further Grant-Making Goals

Continued from Page 1

ing 20 per cent of its equity holdings in socially screened mutual funds, says Page Knudsen Cowles, its immediate past president. The stimulus came when several family members who were boycotting General Electric Company products noticed that GE shares appeared in Unity Avenue's portfolio.

Last fall, after months of discussion, the family foundation's board approved a policy screening out companies that are major polluters, make nuclear weapons, generate nuclear power, produce tobacco products, threaten endangered species, use animals for non-medical testing, or use violence in their advertising.

The policy also favors investments in companies that actively promote women and minorities or that contribute to environmental improvement in the areas of air- or water-pollution control, waste disposal, or alternative energy.

"My feeling is that this will be more and more of an issue for people," says Ms. Cowles. "It won't make the investment managers happy, but they'll have to adjust."

The Jessie Smith Noyes Foundation, which began drafting a social investment policy in 1990, last year finished selling all its shares in the Philip Morris Companies—which Stephen Viederman, the foundation's president, calls "one of the better stocks we had" in terms of financial performance.

The $60-million foundation, which supports work on environmentally sound agriculture, was concerned less with the health effects of cigarettes—one of Philip Morris's principal commercial products—than with the agricultural impact of tobacco farming on the environment, says Mr. Viederman.

The policy is still evolving. "We won't touch nuclear," he says, but Noyes is still reviewing its positions in several oil and pharmaceutical companies.

"We have decided that we want, to the degree possible, to match our investments with our values and our programs," he observes. "At some level, that proves much more difficult than one might imagine."

Lagging Behind Other Investors

Such examples notwithstanding, foundations in general have lagged behind other institutional investors in applying social criteria to their financial portfolios.

Lacking vocal constituencies of students, alumni, parishioners, or pensioners, foundation boards have seldom found their investment policies challenged by outsiders. In the past couple of decades, few philanthropies were drawn into the heated debates about divestment from South Africa or ownership of stock in weapons manufacturers that were held on hundreds of college campuses around the country.

"In general, foundations have been latecomers to ethical investing," says Marcy Murninghan, a visiting fellow at the John W. McCormick Institute of Public Affairs at the University of Massachusetts in Boston, who has been a consultant to several foundations. "They're not subject to the external pressures other institutions have faced."

As a result, the traditional view among foundation officials and trustees—that the sole purpose of their investments is to generate sufficient income to meet the federal payout requirement and support their grant programs without eroding principal—still has many champions, who remain skeptical about using social criteria in investment decisions.

"My own viewpoint is that that is a very dangerous area, with many pitfalls," says John W. English, vice-president and chief investment officer at the Ford Foundation. "When you start assigning judgments to various companies as to whether they're making a positive or a negative contribution, it becomes highly subjective.

"Since all of the foundation's investment gains are used to do good works," adds Mr. English, "I think our objective is to maximize the investment return in order to do good works around the world."

Some observers also question how much impact socially responsible investment policies have on corporate behavior. "My personal view is that divesting yourself of securities is not a very effective way to contribute to social change," says Jack Meyer, former treasurer of the Rockefeller Foundation and current president of the Harvard Management Company in Cambridge, Mass., which manages Harvard University's endowment. "The company whose stock you sell doesn't care, and it doesn't affect the price of the stock except on the day you sell it."

What's more, says Mr. Meyer, ethical investment policies can be costly: They generate brokerage fees when unwanted stocks are sold, necessitate a somewhat riskier and less diversified portfolio, and add a layer of administrative complexity to a foundation's investment department. "It's a little hard to attract top-rate portfolio managers," he adds, "if you're going to saddle them with the burdens of divesting."

Whether socially screened investments necessarily perform less well than portfolios unhampered by such constraints is a matter of debate—in which even the proponents of such screens disagree.

"We don't think we've lost anything appreciable by the policy," says Vincent McGee, executive director of the Aaron Diamond Foundation, which refuses to invest in companies that have substantial business involving military contracts, nuclear power, tobacco, gambling, or South Africa. A limited analysis by the foundation showed that "what we might have gained one year if we'd had military stocks we would have lost in the next year," he says.

At the Cummings Foundation, however, "I think there is probably a feeling that there's been some sacrifice of return" because the portfolio is screened, says Mr. Halpern. "Up to now," he adds, "the board has felt that the sacrifice was worth making."

Frustrating Discussions

At some foundations, board discussions of ethical investing seem to go in circles.

"We've spent an enormous amount of time over the past 15 years" debating social aspects of the investments of the Rosenberg Foundation in San Francisco, says Kirke Wilson, its executive director. "It is among the most unproductive time I have spent. Our guys almost always end up saying, We're in the grant-making business, not the investment business."

Instead of drafting a formal policy, Rosenberg uses what Mr. Wilson calls "the smell test" to keep particularly unsavory companies out of its portfolio. But only in areas relating directly to the foundation's grant making, he adds, is a company likely to undergo close scrutiny.

"We follow a *de minimis:* If [a particular product] is a small part of what somebody does and is not one of our issues, we probably would ignore it," he acknowledges.

A number of other foundations take a similar path: Although they have no formal policy on ethical investing, they instruct their investment managers to weed out specific companies they deem incompatible with their missions.

Criteria vary from one foundation to another. The W. Alton Jones Foundation, which makes grants to protect ecosystems from pollution and toxic contamination, in 1990 owned 16,000 shares of Waste Management Inc. Critics have branded that waste-disposal company an environmental scofflaw, and several other environmental grant makers screen it from their portfolios.

Jones, whose other major program effort is to reduce the threat of nuclear war, also held 6,000 shares of the Raytheon Company, a major defense contractor in the manufacture of nuclear arms.

"The board has been looking at a couple of our investments, but has not reached consensus," says John Peterson Myers, the foundation's director. "The board is less comfortable with companies involved in the production of nuclear weap-

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OPINION

Commentary and Letters

Dangers in the Rush to Aid Eastern Europe

By JOHN C. HAMMOCK

TWO YEARS AGO, in Senegal, I chaired a meeting of African and American directors of private voluntary organizations. The discussion turned to collaboration and commitment. An African leader was emphatic: "Mark my words, the situation in Eastern Europe is going to hurt Africans. Europe and the West are going to flock to Eastern Europe and the Soviet Union—including private voluntary agencies. Africans will be left out."

Two years later, those words seem prophetic. American-based international-relief and -development groups have jumped on the bandwagon, announcing plans to work in the former Soviet Union and Eastern Europe. Spurred by federal aid from governmental organizations ranging from the United States Information Agency to the Agency for International Development, groups are lining up. Even InterAction, the umbrella organization of international private organizations, which up to now has focused on the so-called global South—Africa, Asia, the Caribbean, and Latin America—has decided to join the fray. In December, its executive committee voted to "create a working group on the Soviet Republics and Eastern Europe, without diminishing in any respect InterAction's and its members' commitment to the needs of the third world."

MY VIEW

Private groups race in to help when disasters strike, as happened during the Bangladesh floods last year. But after the initial push, how many groups stayed to help with the long-term recovery?

But can InterAction—or any non-profit—move into the Eastern countries without compromising programs in developing countries? International voluntary groups already divide their limited time and resources among dozens of Southern countries; it is fiction to believe existing non-profits can meet the tremendous demands of moving into a totally new international area without further straining the capacity of organizations that have long been stretched too thin.

Five specific concerns argue for careful deliberation before flocking to the former Soviet republics:

► Money destined for the global South will be diverted to this new area. Already we see U.S. government money flowing into Eastern Europe and the former Soviet republics. These funds do not come from new line items in an already tight budget; they are mostly being carved out of money previously allocated to developing countries.

And as private groups start operating programs in Europe, they will probably raise money that will be restricted for use in that area. Since that region is now getting the lion's share of the news coverage, private groups are likely to raise much more money earmarked for use in Europe and devote less of their limited fund-raising resources to seeking donations for Africa.

► The rush to Eastern Europe shows, once again, how

LETTERS

Who's Really Naïve About Japanese Charitable Giving

TO THE EDITOR:

Naïveté, like beauty, seems to be largely a function of the beholding eye.

In his column on Japanese corporate giving in the U.S. ("We're Naïve About Japanese Philanthropy," *The Chronicle*, January 14), William J. Holstein admonishes American nonprofits to beware of the peril of accepting the financial support of Japanese corporations operating in the United States. While many of Mr. Holstein's claims teeter on the kind of hysteria that would warm the Iacoccan heart, several of his statements are so misleading and irresponsible that they must be challenged.

American and European corporations have long used corporate-giving programs to burnish their images and to promote a positive relationship between the company and the community. Rightly viewed, these contributions are investments on the part of these companies in the long-term vitality of the communities in which they operate and in which their employees live. This is a perfectly appropriate strategic objective for corporations to pursue. Corporate giving in this country has never been motivated by the "pure altruism" that Holstein criticizes Japanese companies for lacking. Nor should it be.

You would think that an editor of *Business Week* would better understand corporate cultures in capitalistic societies. If I am a shareholder in IBM, I do not want the company "giving" my money away; however, I do want the company to invest corporate resources in appropriate ways to benefit the community and to advance the objectives of the company. I would expect the same thing of Burroughs-Wellcome or of Toshiba if I owned shares in those companies.

The fact that several Japanese companies have chosen to support the activities of the Media Lab at MIT does not mean, as Mr. Holstein claims, that American companies are "completely outgunned." American electronics companies have an idea where Cambridge is, and the folks at the Media Lab would be delighted, I suspect, to talk to them about access to their research. To suggest that Japanese companies are pursuing dark and unfair business practices by supporting research activities that are equally accessible to American or to European companies is just silly.

Since I know the academic world far better than I know the world of community-based and civic organizations, I will not comment on Mr. Holstein's assertion that there is a right way and a wrong way for local communities to deal with Japanese giving. I will merely point out the arguments that refer to a "massive Japanese presence" and to U.S. civic leaders lapsing "into a form of subservience" are intended to appeal to degrading stereotypes and to a lowest common denominator of prejudice.

And when I read Mr. Holstein's suggestion that Japanese giving to black and Hispanic groups is part of an attempt to promote solidarity among nonwhites to the detriment of U.S. competitiveness, I thought I was in the presence of parody. Such a bizarre point of view would do justice to Tom Buchanan in *The Great Gatsby*, who was so concerned by "The Rise of the Colored Empires." But Mr. Holstein does not intend parody. He makes this claim with all the earnestness that he can muster. He should be ashamed of himself.

For a number of years, Japanese companies were criticized for not being philanthropic, for not being "good corporate citi-